

**Final Rule Change Report:
New Notional Wholesale Meter Manifest Error
(RC_2018_01)**

Fast Track Rule Change Process

21 May 2018

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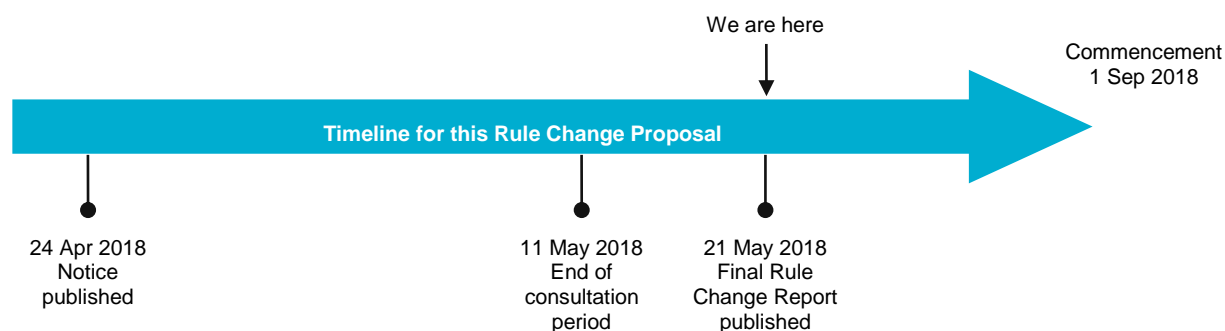
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1. Rule Change Proposal and Timeline

On 24 April 2018, the Rule Change Panel progressed a Rule Change Proposal titled “New Notional Wholesale Meter Manifest Error” (**RC_2018_01**).

This proposal is being processed using the Fast Track Rule Change Process, described in section 2.6 of the Wholesale Electricity Market Rules (**Market Rules**).

The timeline for progressing this proposal is:



The Rule Change Panel’s final decision is to accept the Rule Change Proposal in its proposed form. The detailed reasons for the Rule Change Panel’s decision are set out in section 5 of this report.

All documents related to this Rule Change Proposal can be found on the Rule Change Panel’s website: [Rule Change: RC_2018_01 – Economic Regulation Authority Western Australia](#).

2. Proposed Amendments

2.1 The Rule Change Proposal

The Rule Change Panel progressed RC_2018_01 to correct a manifest error identified in the method for annually setting and making monthly adjustments to the Individual Reserve Capacity Requirements (**IRCRs**) as set out in Appendix 5 of the Market Rules. Currently, the methodology:

- accounts for all new interval meters that were not registered during all of the “preceding Hot Season”¹ but were registered by the end of Trading Month n-3 (Step 5 of Appendix 5); but
- only accounts for the growth of non-interval meters in Trading Month n-3 (Step 5A of Appendix 5).

Step 5A of Appendix 5 determines the calculation of the “New Notional Wholesale Meter’s” contribution to IRCRs, which is intended to account for new non-interval meters that did not

¹ The “preceding Hot Season” is defined in Step 1 of Appendix 5 as the Hot Season preceding the initial calculation of IRCRs for a Reserve Capacity Cycle

exist during all of the 12 peak SWIS Trading Intervals of the relevant “preceding Hot Season”.

Step 5A was introduced by RC_2008_32 with the intent to treat non-interval and interval meters in the same way. However, the methodology for calculating the growth of non-interval meters inadvertently did not achieve this outcome, and Rule Change Proposal RC_2018_01 seeks to correct this error.

RC_2018_01 seeks to change the calculation of Non Interval Meter Growth in Step 5A of Appendix 5. The proposal is to calculate the growth of non-interval meters by subtracting the total number of non-interval meters disconnected over the period from the end of the preceding Hot Season up to the end of Trading Month n-3 from the total number of non-interval meters connected during the same time period.

2.2 The Rule Change Panel’s Initial Assessment of the Proposal

The Rule Change Panel decided to progress this Rule Change Proposal on the basis that its preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

The Rule Change Panel decided to progress the Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the grounds that the proposed changes are required to correct minor and manifest errors or are of minor or procedural nature, and that this proposal satisfies the criteria in clauses 2.5.9(a)² and 2.5.9(b) of the Market Rules.

2.5.9. *The Rule Change Panel may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*

- (a) *is of a minor or procedural nature; or*
- (b) *is required to correct a manifest error; or*
- (c) *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

3. Consultation

3.1 General

The Rule Change Notice for this proposal was published on 24 April 2018, and stakeholders were advised of the publication of the Rule Change Notice and Proposal on the same day.³

3.2 The Market Advisory Committee

The issue with the “Non-Interval Meter Growth” in Step 5A of Appendix 5 was raised and discussed with the Market Advisory Committee (**MAC**) on 8 November 2017. Rule Change Panel Support (**RCP Support**) sought feedback on whether this issue was a manifest error and subsequently received nine responses. Eight of the nine responses agreed that this was a manifest error whilst the other response suggested that the issue should not be

² The Rule Change Panel notes that after further assessment, the Rule Change Proposal only satisfies the criterion in clause 2.5.9(b) of the Market Rules. However this is still sufficient to progress the Rule Change Proposal under the Fast Track Rule Change Process.

³ This was sent out via email to stakeholders on the Rule Change Panel’s stakeholder contact list.

progressed as a manifest error due to a lack of information and the time required to assess the impact and perform a cost benefit analysis.

RCP Support developed a Pre-Rule Change Proposal that was discussed at the 14 February 2018 MAC meeting.

A complete summary of the discussion by the MAC is provided below, and further details are available in the MAC meeting minutes available on the Rule Change Panel's website at [Market Advisory Committee Meetings - Economic Regulation Authority Western Australia](#).

8 November 2017 MAC meeting (minutes excerpt)

Ms Jenny Laidlaw noted that Step 5A of Appendix 5 of the Market Rules sets out the calculation of the IRCR contribution of the New Notional Wholesale Meter, which is intended to account for new non-interval meters that have been registered since the previous Hot Season. The step was introduced by the Rule Change Proposal RC_2008_32 (Calculation of IRCR) to ensure that new non-interval meters received equivalent treatment to new interval meters in the IRCR calculations.

Any new interval meter that is not registered in the previous Hot Season but is registered by the end of month n-3 is included in the IRCR calculations for month n. While RC_2008_32 sought an equivalent outcome for non-interval meters, Ms Laidlaw considered that Step 5A did not achieve this, as it only considered the non-interval meter growth over a single Trading Month instead of the actual number of months between the end of the relevant Hot Season and month n-3 (i.e. between 4 and 15 months). The current calculation appears to greatly underestimate the actual size of the New Notional Wholesale Meter.

Ms Laidlaw sought the views of MAC members on whether they considered this constituted a manifest error in the Market Rules or, alternatively, why the calculation only considered non-interval meter growth for a single month.

14 February 2018 MAC meeting (minutes excerpt)

Mr Richard Cheng provided a brief overview of the Pre-Rule Change Proposal. No questions or concerns were raised by members or observers regarding the proposal.

The MAC supported the progression of RC_2018_01 using the Fast Track Rule Change Process.

3.3 Submissions Received During the Consultation Period

The consultation period for this Rule Change Proposal was held between 24 April 2018 and 11 May 2018. One submission was received from Change Energy supporting the Rule Change Proposal and its progression under the Fast Track Rule Change Process. Change Energy also agreed that the Rule Change Proposal would better achieve Wholesale Market Objective (b).

Change Energy's submission is available in full on the Rule Change Panel's website.

3.4 The Rule Change Panel's Response to Submissions Received during the Consultation Period

No issues were raised during the consultation period.

3.5 Public Forums and Workshops

No public forums or workshops were held in regard to this Rule Change Proposal.

3.6 Consultation with AEMO

The Rule Change Panel consulted AEMO about the costs and practical implications of implementing this Rule Change Proposal. The outcome of the consultation is detailed in section 4.3 of this report.

4. The Rule Change Panel's Final Assessment

In preparing its Final Rule Change Report, the Rule Change Panel must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Clause 2.4.2 states that the Rule Change Panel "*must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives*".

Additionally, clause 2.4.3 states that when deciding whether to make Amending Rules, the Rule Change Panel must have regard to:

- any applicable statement of policy principles the Minister has issued to the Rule Change Panel under clause 2.5.2 of the Market Rules;
- the practicality and cost of implementing the proposal;
- the views expressed in submissions and by the MAC; and
- any technical studies that the Rule Change Panel considers necessary to assist in assessing the Rule Change Proposal.

In making its final decision, the Rule Change Panel has had regard to each of the matters identified in clauses 2.4.2 and 2.4.3 of the Market Rules as follows:

- The Rule Change Panel's assessment of the Rule Change Proposal against the Wholesale Market Objectives is available in section 4.2 of this report.
- The Rule Change Panel notes that there has not been any applicable statement of policy principles from the Minister in respect of this Rule Change Proposal.
- The Rule Change Panel's assessment of the practicality and cost of implementing the Rule Change Proposal is available in section 4.3 of this report.
- A summary of the views expressed in submissions is available in section 3 of this report. The MAC also discussed the Rule Change Proposal (section 3.2 of this report).
- The Rule Change Panel has not commissioned a technical study in respect of this Rule Change Proposal.

The Rule Change Panel's assessment is presented in the following sections.

4.1 Assessment of the Proposed Changes

The Rule Change Panel considers that, only taking into account the growth in non-interval meters in the month n-3 and not over all months from the end of the preceding Hot Season to the end of n-3, presents a manifest error in Step 5A of Appendix 5 of the current Market

Rules. This manifest error gave Synergy a cross-subsidy ranging from about 3MW/month to 10MW/month across the 2016-17 Capacity Year. The Rule Change Panel considers that implementing the changes in RC_2018_01 will remove this cross-subsidy which will benefit the market generally as it allows the IRCRs to be calculated more equitably.

4.2 Additional Amendments to the Amending Rules

The Rule Change Panel made no additional changes to the Amending Rules proposed in the Rule Change Proposal.

4.3 Wholesale Market Objectives

The Rule Change Panel considers that the amendments will correct a manifest error and that the Market Rules will better achieve Wholesale Market Objective 1.2.1(b), if amended as presented in section 6, by ensuring the IRCR liability calculation is more equitably calculated, as non-interval meter growth and interval meter growth will be accounted for more consistently and fairly.⁴

4.4 Practicality and Cost of Implementation

4.4.1 Cost

AEMO has advised that its cost of implementing its component of the proposed amendments is about \$105,000. The Rule Change Panel considers that this cost is acceptable given the benefits the amendments will deliver to the market.

4.4.2 Practicality

AEMO estimated that it will require three months to implement the required changes.

The Amending Rules need to commence before 10 September 2018 to correct the manifest error, so that the new methodology applies for the IRCR calculation for the next Reserve Capacity Year (2018).⁵

No Market Participant raised any issues about the practicality of implementing the changes.

4.5 Protected Provisions, Reviewable Decisions and civil penalties

The Amending Rules do not introduce any new or affect any existing Protected Provisions, Reviewable Decisions or civil penalty provisions.

5. The Rule Change Panel's Decision

The Rule Change Panel's final decision is to accept the Rule Change in the proposed form.

5.1 Reason for the Rule Change Panel's Decision

The Rule Change Panel has made its decision on the basis that the Amending Rules:

⁴ Wholesale Market Objective 1.2.1(b) is – *'to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors'*.

⁵ As stated in clause 4.1.24 in the Market Rules.

- corrects a manifest error in the Market Rules;
- increases the integrity and consistency of the Market Rules;
- will allow the Market Rules to better achieve Wholesale Market Objective (b) and are consistent with the remaining Wholesale Market Objectives;
- are supported by the majority of the MAC;
- are supported by the one received submission; and
- have a low cost with no significant practicality issues.

Additional detail outlining the analysis behind the Rule Change Panel’s decision is outlined in section 4 of this report.

6. Amending Rules

6.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00 AM** on **1 September 2018**.

6.2 Amending Rules

The Rule Change Panel has determined to implement the following Amending Rules (~~deleted text~~, added text):

Appendix 5: Individual Reserve Capacity Requirements

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STEP 5A: When determining the Individual Reserve Capacity Requirements for Trading Month n.

Find the MW figure formed by doubling the median value of the metered consumption for the Notional Wholesale Meter v^* , during the 4 peak SWIS Trading Intervals of Trading Month n-3 (“Median Notional Wholesale Meter”).

Divide the Median Notional Wholesale Meter by the number of non-interval or accumulation meters that existed at the end of Trading Month n-3 (“Average Non-Interval Meter”).

Subtract the number of non-interval or accumulation meters disconnected between the end of the preceding Hot Season and the end of~~during~~ Trading Month n-3 from the number of non-interval or accumulation meters connected between the end of the preceding Hot Season and the end of~~during~~ Trading Month n-3 (“Non-Interval Meter Growth”).

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